

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 53 - HB 111

February 18, 2015

SUMMARY OF BILL: Prohibits the State Insurance Committee, in any fiscal year, from increasing premiums, copayments, or other costs paid by or collected from participating state employees, including active and retired, for basic medical, dental, life, accident, and supplemental medical insurance coverage, unless the participating state employee has first received an across-the-board salary increase for the same fiscal year.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact – In any fiscal year that state plan members do not receive across-the-board salary increases, the increase in state expenditures is estimated to exceed \$4,993,300. In fiscal years that state plan members receive across-the-board salary increases, the fiscal impact of this bill is considered not significant.

Assumptions:

- The fiscal impact of this bill is dependent upon several unknown factors such as the future years that state employees receive across-the-board salary increases, the years that state employees do not receive across-the-board salary increases, and the extent of cost increases on premiums for participation in the basic group insurance plan in the years that state employees do not receive across-the board salary increases.
- Pursuant to Tenn. Code Ann. § 8-27-201(b), the state currently pays 80 percent of the total cost on behalf of the state employee for the employee to participate in the basic group insurance plan; the state employee pays the remaining 20 percent.
- In years that state employees do not receive across-the-board salary increases, the state will be required to fund a higher percentage of the total cost (more than the currently required 80 percent) because the state employees' portion will be held constant at the prior year's level (which will represent less than 20 percent of the new total cost).
- In any year subsequent to a year in which state employees did not receive across-the-board salary increases, state employees do receive across-the-board salary increases, the state will pay 80 percent of the new cost on the behalf of the state employee to participate in the basic group insurance plan; the state employee will pay the remaining 20 percent of the new cost.
- In years that state employees receive across-the-board salary increases, the fiscal impact will be not significant.

- According to the Department of Finance & Administration, the Division of Benefits Administration (DBA) currently provides basic group insurance plan benefits to nearly 73,000 state employee plan members, over 100,000 local education plan members, and nearly 20,000 local government plan members.
- This bill is only applicable to premiums instituted by the State Insurance Committee; therefore, the provisions of the bill only apply to state employees as defined by Tenn. Code Ann. § 8-27-201(g).
- According to the 2014-15 Factbook published for the Tennessee General Assembly, there are 43,227 positions funded by the General Fund, 4,663 positions funded by the Highway Fund, and an additional 24,804 positions for higher education. Therefore, the minimum number of state employees is estimated to be 72,694 (43,227 + 4,663 + 24,804) any given year.
- DBA estimates current medical trend inflation at 6.5 percent. Medical trend inflation for future years is reasonably estimated to be at least 5.0 percent annually.
- According to the State Group Insurance Program – 2015 Eligibility and Enrollment Guide, the least expensive monthly premium for medical insurance for active state employees is through Partnership Promise option for Blue Cross Blue Shield of Tennessee for participants living in the Middle and East Tennessee regions, which is \$114.49 per month. This represents the 20 percent portion paid by active state employee participants. Therefore, the total amount of premiums paid by an active state employee participant in 2015 with this type of coverage would be \$1,373.88 (\$114.49 x 12 months).
- The minimum annual increase in the state employee portion of the medical insurance premium is estimated to be \$68.69 (\$1,373.88 x 5.0%) per year.
- The total annual increase in the state employee portion of medical insurance premiums is reasonably estimated to exceed \$4,993,351 (\$68.69 x 72,694 participants). Therefore, the increase in state expenditures, in years that state plan members do not receive across-the-board salary increases, is reasonably estimated to exceed \$4,993,300.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Jeffrey L. Spalding, Executive Director

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